

HR News Flash!

Pikes Peak Community
College

Special Edition
Classified Pay for Performance
June 2002

Classified Pay for Performance System

Welcome to the Classified Pay for Performance special edition of the **HR News Flash!** In this edition we will be providing you with information regarding the history of pay for performance in the state, overview of the major changes to the compensation plan, and specific details of the Pikes Peak Community College plan. This will include eligibility, award distribution, base/non-base awards, dispute resolution, and other potential performance award opportunities. *A special thanks to Dirk Howard, Jeff Olson, and Tami Hartman for their contributions to this edition!*



Classified Pay for Performance
System is a reality as of July 1,
2002.

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History and Background

Ken Nufer

Pay for Performance, why us!? Many of us have been asking this question and the “official” answer is that it will increase productivity and provide the citizens of Colorado a more efficient use of their tax money (which we do pay state tax so we are paying ourselves!). The beginning of this change was put in to motion in about 1997 or 1998 when a bill was introduced and passed to move us to a performance pay system. At that time it was called Colorado Peak Performance (CPP). There was a lot of hoopla when it was passed into law to gain support for it. Many of you will remember the beautiful CPP logo that was expected to inspire state employees to get behind the bill. A lot of time was spent marketing this new pay system. At that time there was a team of people from the Department of Personnel who held meetings throughout the state to get stakeholder (which is a fancy way to say classified employees who would be impacted!) input and try to explain the program. The plan was to be “cost neutral” and funding was to be based on the money used for the Anniversary (step) increases. From the very beginning, CPP was in trouble and faced an uphill battle. It was so complex and required such a fundamental change that very few people could understand it, including those of us in the HR offices. However, one of the components of CPP that was adopted was the change to the pay grids.

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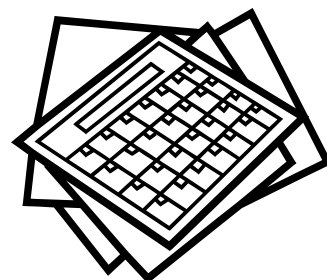
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For those of us who have been around longer than 5 years, you will remember the pay grids. Employees who entered state employment were placed in a grade and a step. There were seven steps, each indicating approximately a 5% increase. When you got to step six, you had to wait for five years to move to step seven. Once you were at step seven, there were no salary increases except for Salary Survey increases unless you were promoted to a higher pay grade. The pay grids were very easy to understand and to follow. Part of CPP was to introduce new pay ranges that were broader and had no steps. The idea was that the range would allow for more movement of employees and part of the pay range would be permanent base-building and the other part would be bonuses that were paid in a lump sum and not permanent. HR Offices around the state began receiving multiple communications with big, bold letters proclaiming "THE GRID IS GONE!" HR offices scrambled to develop plans for the implementation of the new pay system, which was to be phased in over three years by different agencies.

The grid was indeed gone and has been gone ever since. Parts of the grid did remain and step increases were called anniversary increases. As a part of the grid, we had a point in the range that was called the five year rate. It was the point in the range that you could not receive any pay increases other than salary survey until you had been there for five years. CPP quickly got into trouble and implementation was delayed while agencies struggled to develop fair plans and the Joint Budget Committee could not find a way to fund it. Eventually CPP was repealed by legislative action, but our representatives did not believe it should die. New legislation was introduced to implement a performance pay system and we started over again. The implementation of the performance pay system had been delayed for the past two years, but this year no legislative action was taken to delay it and as of July 1, 2002, we are under a performance based pay system.

What is different? Several things with regard to the compensation plan have changed. First, anniversary increases are no longer authorized. No employee will get an automatic raise due to time in service. Additionally, the five year rate is also gone. There is no longer a point in the pay range, except the range maximum, where you are required to stay for a specified period of time before you can move. The range maximum is the highest base salary you can earn in a position except if you are in a saved pay situation due to a demotion.

Although the history is much more detailed than this, it gives you a brief look at how we arrived at the system that will be implemented on July 1, 2002. The key is that we are now being paid based on our performance evaluation. The rest of this issue will focus on specific details of our plan and hopefully give you a clear understanding of how it applies to you.



Those of us who have been in the state system for more than five years remember grade and step system. It no longer exists

*Pay for Performance
will become a reality
on July 1, 2002.*

*Anniversary raises
will no longer be
authorized.*

*All pay increases will
be linked to
performance based
on the Pikes Peak
Community College
plan approved by the
Department of
Personnel and
Administration.*

Eligibility

Jeff Olson

So, who is eligible? To be eligible for either a base building award or a non base building award or a combination of the two awards, an employee must be rated fully competent, exceeds expectations, or meritorious. In addition, the award percentage for each successive higher level of performance must be greater than the maximum award percentage for the lower level. This is one of the reasons why our Executive Compensation Committee established fixed percentages for each of the three eligible rating levels. (Please refer to the next section "Performance Award Distribution" for a more detailed explanation of how these percentages were formulated.) However, employees rated fully competent or exceeds expectations cannot receive a base building performance award that places them higher than the pay range maximum. Employees at the pay range maximum and rated meritorious may receive a non- base building award above the pay range maximum up to the maximum percent established annually by the State Personnel Director and published in the annual Total Compensation survey. Unfortunately, this means that for those employees who are at their pay range maximum and who received either a fully competent or exceeds expectations rating are not eligible for any type of award. This guideline would appear to be a carryover from the original CPP "Peak Performer" standard-of- performance required of employees at range maximum. Maybe it will be revised in subsequent years?

The College's performance and evaluation period begins on April 1 each year and ends on March 31 of the following year. Awards for this period of performance will be distributed (in 12 month increments for base building and a lump sum for non base building) in July of each year. To receive a base and/or non base building award, an employee that received an annual performance rating must still be on the College's payroll on July 1 of that same year. Further, employees hired after October 1 each year will not be eligible for a performance award until they have completed one full year (March to April) of regularly evaluated service. Unfortunately, this means that some employees may not receive a performance award for up to 22 months after their hire date; however, those employees (along with all of our other employees) may be eligible for a supervisory recommended "cash incentive award" during this period instead.



Who is eligible and how is that determined?!

July 1st of each year is a critical date for awards and eligibility!



How is the award determined?

Keep reading for more detail!



Performance Award Distribution

Dirk Howard

Now that you have the eligibility requirements, how are the performance awards actually determined? Of course, this is the part that everyone wants to know about and where the real impact of this new pay system can be felt. This section provides you with a comprehensive look at the award distribution model.

As was mentioned in the preceding section “Eligibility,” each classified employee who was hired before October 1, 2001 will be eligible to participate. Each employee’s Pay for Performance award will be based on either their annual evaluation which was due in April 2002, or in the case of employees hired between April 1, 2001 and October 1, 2001, their six-month evaluation.

*Note: Employees who are already at the range maximum for their classification are not eligible for base-building awards. Employees who are in this category **who also receive a Meritorious rating** are eligible for non-base building awards. These awards are calculated in the same way as for other employees, but will be paid in one lump sum on the July 31, 2002 payroll.*

For this first plan year, which is the Plan’s transition year, awards will be annualized. What this means is if an employee’s Anniversary date is November 1, they would receive 8/12ths of a full award, since they would have only gotten their anniversary increase for eight months of the year under the old pay plan.

For July 2002, the amount of money available for pay for performance awards has been set by the Legislature at 60.7% of what would have been the amount of anniversary increases awarded under the old pay plan. For PPCC that works out to be \$80,675 (60.7% times \$132,907). This percentage and its accompanying performance award pool will continue to be set on an annual basis by the Legislature.

This \$80,675 will then be distributed based on the number of employees in each rating category and the number of months for which they would have received an anniversary increase under the old plan. The State’s performance pay guidelines require that the award percentage for each successive higher level of performance (i.e., “Fully Competent”, “Exceeds Expectations”, and “Meritorious”) be greater than the maximum of the lower rating award. The college has determined that there be a one percentage point difference between the award percentage for each rating category.

Therefore, knowing 1) the amount of money available to distribute, 2) the number of eligible employees in each rating category, and 3) the number of months



How are awards determined and given to each employee?

“The performance award pool is determined by the State Legislature each year.”

each employee would have received an anniversary increase for, the percentage increase for each rating category can be computed. This number will vary each year, depending on the variables mentioned above. For FY2002-2003 those percentages are as follows: Fully Competent – 1.91%; Exceeds Expectations – 2.91%; and Meritorious – 3.91%.

The following are some examples of how performance awards are calculated:

Example 1:

Employee has a \$2,800 base monthly salary after July 1 Salary Survey increases are applied. Employee received an “Exceeds Expectation” rating and has a November 1 anniversary date.

Base Salary (\$2,800) times Percentage (2.91%) times part of year (8/12) equals Performance Award (\$54). These amounts are rounded to the nearest whole dollar. The \$54 Performance award is added to the \$2,800 base salary to arrive at the FY2002-2003 base salary of \$2,854. This amount would be paid for 12 months beginning with the July 31, 2002 payroll.

Example 2:

Same assumptions as Example 1, except that \$2,800 is the range maximum for this employee’s classification.

Since the employee is already at range maximum, and did not receive a Meritorious rating, the employee is not eligible for a Pay for Performance award. Their monthly salary for FY 2002-2003 will be \$2,800.

Example 3:

Same assumptions as Example 2, except the employee DID receive a Meritorious rating.

Base Salary (\$2,800) times Percentage (3.91%) equals monthly award (\$109). Monthly award (\$109) times number of months (8) equals total non-base-building Pay for Performance Award (\$872). This employee’s monthly base salary will remain at \$2,800, but they will receive a one-time non-base-building award of \$872 on their July 31 payroll.



To the left is the percentages associated with each performance rating category.



How do all the numbers equate to my award?



Base versus Non-Base Awards

Ken Nufer

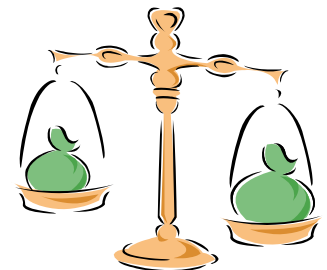
So, now you know who is eligible, how the awards distribution model was developed and what the award percentages will be. The next step is to determine if the award will be a base building or non-base building award. If you are eligible for an award as described in the eligibility section above, your award can be distributed in three ways.

First, your award can be paid to you as a base building award. This means that it becomes a permanent part of your monthly gross salary. This permanent increase cannot take you above the range maximum and you will receive it every month. In effect, this increases your monthly salary not unlike the anniversary increase would have. If you were to leave employment after July 1st, you would not be eligible for any payout of this award.

Second, your award can be paid to you as a non-base building award. This means that it is a one-time payment in the July payroll. It is not a permanent part of your salary and will not increase your regular monthly pay amount. This has been likened to a one-time bonus. It is not called a bonus because there are other provisions for a bonus as described below. If you were to leave state employment after July 1st, you are entitled to a payout of the full amount of this award.

Third, your award can be paid to you as a combination of the base and non-base building awards. This means that a portion of the award will be added as a permanent part of your monthly pay and part of it will be a one-time payment in July. For example, if you were getting a 4% award, 2% could be added to your permanent monthly pay and 2% could be paid to you in July. This would mean that your permanent pay increased 2%. There are some circumstances when this will be necessary and not discretionary. If a base building performance award would take you beyond the range maximum in your regular monthly pay, only that amount up to the pay range maximum can be permanent and the rest MUST be non-base building.

The criteria for distinguishing between base and non-base building award can be found in the Plan on the Intranet. A summary of the minimum criteria for this distinction are the permanency or substantialness of the contribution, a creative and self-initiated solution to an unforeseen problem that results in a significant



How does Base building and Non-base building compare?

“The Base Building performance award cannot take a persons permanent pay beyond the range maximum.”

tangible benefit to the agency or state, and/or job related development, continuing education, or certifications and licenses that directly result in a measurable increase of performance capacity. Please see the full plan on-line on the college's Intranet (intranet.pgcc.edu) under Departments/Human Resources/Compensation/Classified Pay for Performance for complete details and definitions.

In addition to the performance awards, State Personnel Rules and Procedures allow for additional incentive rewards under P-3-21. The HRS Office, in cooperation with Executive Cabinet, are developing a formal plan for a reward program that will allow for both cash and non-cash rewards. Once a formal plan has been approved, it can be used to augment annual performance award payments. We will distribute the plan once it has been approved.



State Personnel Rules and Procedures provide other methods for rewarding employees.

Dispute Resolution

Tami Hartman

What rights do you have if you are dissatisfied? Employees may question or dispute certain matters regarding performance plans and evaluation ratings through the Community Colleges of Colorado Pay for Performance Dispute Resolution Process (This process has been approved by the State Personnel Director). This process supports and encourages communication among the employee and the supervisor in order to resolve the issue(s).

Issues that are disputable include:

- The individual performance plan (must dispute within 3 business days of conclusion of the planning phase) or lack thereof;
- The individual final performance evaluation or lack thereof;
- Non-compliance with the College's program as it relates to the individual employee's performance plan or final evaluation;
- Partial or non-payment of an award.

Issues that are NOT disputable:

- The amount of the award;
- The breakdown of the award, including whether it is base/non-base building or the split between the two;
- Performance evaluations or awards of other employees;
- The distribution model;
- The college's program.

This is intended to be a cooperative effort and communication is a key.



There is a process for addressing disputes.



For a complete copy of the Community Colleges of Colorado Pay for Performance Dispute Resolution Process see the following web address: <http://intranet.pccc.edu/Departments/HumanResources/CompensationMenu.asp>

This process requires continuous feedback and communication between the supervisor and the employee and is not intended to be adversarial. Performance issues should be addressed throughout the year. Employees and supervisors are encouraged review performance goals and expectations regularly in order to identify and resolve potential issues before they become problems.

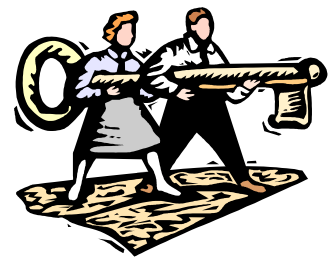
The Dispute Resolution Process is available on the PPCC Intranet.

Final Thoughts

Your HRS Staff

We hope that this edition of the ***HR Newsflash!*** has helped to provide a better understanding of the new Classified Pay for Performance system. We are now entering a new phase of state employment that will take some getting used to for all of us. Your HRS staff is available to assist you with questions and to discuss your concerns. We also encourage you to utilize the following web site for further information from the Department of Personnel and Administration: <http://www.state.co.us/dhr/oversight/library.htm>. This site has several different publications and brochures to help employees and supervisors to transition into this new pay system.

This will be a difficult transition for everyone involved, but our drive to be the best will help us persevere, our focus on success will never wane and our desire to lead the way in the Colorado Community College System will continue to set us apart.



Only we can unlock the door to success.